



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 22, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **CITY OF PALMDALE CONTRACT REVIEW – A COMMUNITY AND
SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM
PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of City of Palmdale (Palmdale or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Palmdale, a government organization, to provide and operate the WIA Adult and Dislocated Worker Programs in the Fifth District. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. Palmdale subsequently subcontracted with Goodwill Industries of Southern California (Goodwill) to provide direct program services.

Palmdale is compensated on a cost reimbursement basis and had a contract for \$308,545 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether Palmdale appropriately monitored Goodwill to ensure that Goodwill complied with the contract terms. We also evaluated Palmdale's compliance with WIA and County contract requirements. In addition, we interviewed Agency staff.

Results of Review

Palmdale sub-contracted with Goodwill to provide WIA Program services. Generally, Goodwill provided the services in accordance with the County contract and WIA guidelines. In addition, Goodwill's expenditures were properly documented and accurately billed. However, Palmdale and Goodwill did not always comply with WIA and County contract requirements. For example:

- Goodwill did not report Palmdale's participants' program activities, such as completion of training into the Job Training Automation system by the 12th of the month following the reporting period as required by WIA Directive LACOD-WIAD08-20 for one (5%) of the 20 participants sampled. A similar finding was also noted during the prior two years' monitoring reviews.
- Palmdale did not meet one of the four FY 2008-09 third quarter planned performance outcomes for the WIA Dislocated Worker Program.
- Palmdale's FY 2008-09 inventory listing did not include a printer and scanner purchased with WIA funds. A similar finding was noted during the prior year's monitoring review.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Palmdale, Goodwill and CSS on June 30, 2009. In the attached response, Palmdale concurred with our findings and recommendations. Two of the findings in this report were also noted during prior monitoring reviews. Therefore, CSS needs to meet with Palmdale to ensure that Palmdale's corrective action is appropriate.

We thank Palmdale for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Stephen H. Williams, City Manager, City of Palmdale
James C. Ledford, Jr., Mayor, City of Palmdale
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF PALMDALE
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether the City of Palmdale (Palmdale or Agency) effectively monitored Goodwill Industries of Southern California (Goodwill) to ensure that program services were provided to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (38%) (ten adults and ten dislocated workers) of the 53 participants that received services from July 2008 through March 2009 for documentation to confirm their eligibility for WIA services. In addition, since Community and Senior Services (CSS) also contracted with Goodwill to provide WIA services in the First and Fifth Districts, we verified that the participants served under Palmdale's contract did not receive the same program services under Goodwill's contract.

Results

Palmdale effectively monitored Goodwill to ensure that services were provided to eligible participants. All 20 participants sampled met the eligibility requirements for the WIA Programs.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Palmdale effectively monitored Goodwill to ensure the subcontractor provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (38%) participants that received services during July 2008 through March 2009.

Results

Generally, Goodwill provided the services in accordance with the County contract and WIA guidelines. However, Goodwill did not report the participant's program activities, such as completion of training into the Job Training Automation (JTA) system by the 12th of the month following the reporting period as required by WIA Directive LACOD-WIAD08-20 for one (5%) of the 20 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. A similar finding was also noted during the prior two years' monitoring reviews.

Subsequent to our review, Goodwill updated the JTA system to accurately reflect the participant's program activities.

Recommendation

1. **Palmdale management ensure that Goodwill updates the Job Training Automation system within 12 days following the reporting period to accurately reflect the participant's program activities.**

PERFORMANCE OUTCOMES REVIEW**Objective**

Determine whether Palmdale met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared Palmdale's Fiscal Year (FY) 2008-09 actual performance outcomes for the third quarter to the planned performance outcomes outlined in the County contract.

Results

Palmdale met all the FY 2008-09 third quarter planned performance outcomes for the WIA Adult Program. However, Palmdale did not meet one of the four FY 2008-09 third quarter planned performance outcomes for the WIA Dislocated Worker Program. Specifically, Palmdale planned to enroll 16 WIA Dislocated Worker participants into the program as of March 31, 2009. However, the Agency enrolled 13 (81%) WIA Dislocated Worker participants as of March 31, 2009. A similar finding was also noted during the prior year's monitoring review.

Recommendation

2. Palmdale management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for November 2008, December 2008 and January 2009.

Results

Palmdale maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Palmdale sub-contracted with Goodwill to provide WIA Program services. As a result, Goodwill incurred the programs' expenditures for FY 2008-09.

Verification

We reviewed both Palmdale and Goodwill's Cost Allocation Plans and a sample of expenditures incurred by Goodwill in July and December 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Palmdale and Goodwill's Cost Allocation Plans were prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 15 non-payroll expenditures transactions billed by Goodwill, Palmdale's sub-contractor, for July and December 2008, totaling \$11,309.

Results

Generally, Goodwill's expenditures were properly documented and accurately billed. However, Goodwill billed Palmdale for prior year's expenditures in July 2008. The total questioned cost was immaterial. However, Goodwill management should bill Palmdale for actual expenditures incurred during the program year as required by Part C, Section 1.2 of the Auditor-Controller Contract Accounting and Administration Handbook. Subsequent to our review, Palmdale credited CSS for the prior year's expenditures.

Recommendation

3. Palmdale management bill for actual expenditures incurred during the program year.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Palmdale maintained sufficient controls over its business operations and effectively monitored the program services provided by Goodwill. However, Palmdale did not report their quarterly expenditure accruals to CSS on their FY 2008-09 second quarter invoices as required by WIA Directive LACOD-WIAD08-19.

Recommendation

4. Palmdale management report their quarterly accrual amounts to CSS as required by the County contract.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Palmdale's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 12 items purchased with WIA funds.

Results

Generally, Palmdale used the equipment purchased with WIA funding for the WIA Programs. However, Palmdale's inventory listing was incomplete and inaccurate. For example, Palmdale's inventory listing for FY 2008-09 did not contain all the required information, such as cost of the property, dates of acquisition and percentage of Federal participation, as required by WIA Directive D-YTH-04-08. In addition, Palmdale's FY 2008-09 inventory listing did not include a printer and scanner purchased with WIA funds. Similar findings were also noted during the prior year's monitoring review.

Recommendation

5. Palmdale management ensure that the Agency's equipment inventory listing is complete, accurate and contains all the required information.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Palmdale sub-contracted with Goodwill to provide WIA Program services. As a result, Goodwill incurred the programs' payroll expenditure for FY 2008-09.

Verification

We traced the payroll expenditures invoiced by Goodwill for five employees totaling \$12,723 for December 2008 to Goodwill's payroll records and time reports. We also reviewed the personnel files for five Goodwill employees assigned to the WIA Programs.

Results

Goodwill appropriately charged the payroll expenditures to the WIA Program. In addition, Goodwill obtained criminal record clearances, verified employability and maintained current driver's licenses and proof of automobile insurances for the five employees sampled.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether Palmdale's FY 2007-08 final close-out invoices for the WIA Adult and Dislocated Worker Programs reconciled to the Goodwill's financial accounting records.

Verification

We traced Palmdale and Goodwill's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures billed by Goodwill in February, April and June 2008.

Results

Palmdale and Goodwill's FY 2007-08 general ledgers reconciled to the Agency's final close-out invoices for FY 2007-08.

Recommendation

None.



PALMDALE

a place to call home

July 20, 2009

Ms. Wendy L. Watanabe
Auditor Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
100 S. Fremont Avenue
Unit #51
Alhambra, California 91803
Attention: Yoon Bae

Dear Ms. Watanabe:

38300 Sierra Highway
Palmdale, CA 93550-4798

Tel: 661/267-5100

Fax: 661/267-5122

FDD: 661/267-5167

Thank you for this opportunity to respond to the draft report. Listed below are your recommendations along with the City's corresponding responses.

Finding Number 1 – Palmdale management ensure that Goodwill update the Job Training Automation (JTA) system within 12 days following the reporting period to accurately reflect the participant's program activities.

Response: The City of Palmdale will meet with Goodwill and stress the importance of updating the JTA in a timely manner. Additionally we are proposing to amend the existing agreement with Goodwill to ensure that Goodwill is responsible for meeting the required mandates.

Finding Number 2 – Palmdale management ensure that planned performance outcomes are met as required by the County contract.

Response: While we are happy to have met the 81% level of outcomes, the City will continue to work with Goodwill of Southern California to meet the desired goal of placement. Palmdale staff will meet with Goodwill on a quarterly basis to ascertain how Goodwill is progressing with the performance outcomes and how the City can assist in meeting the performance outcomes.

Auxiliary aids provided for

communication accessibility

900 72 hours notice and request

Finding Number 3 – Palmdale management bill for actual expenditures incurred during the program year.

www.cityofpalmdale.org

Ms. Wendy L. Watanabe
Auditor Controller Department
July 20, 2009

Response: The City of Palmdale will use its best efforts to ensure that Goodwill bills for actual expenditures occurring during the program year.

Finding Number 4 – Palmdale management report their quarterly accrual amounts to CSS as required by the County contract.

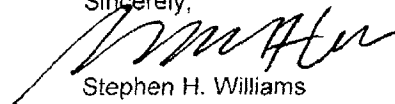
Response: The City of Palmdale will continue to report its quarterly accrual amounts as required by our contract.

Finding Number Finding Number 5 – Palmdale management ensure that the Agency's equipment inventory listing is complete, accurate and contains all required information.

Response: Palmdale will continue to ensure that the Agency's equipment inventory listing is complete, accurate and contains all required information. The updated list is available at the request of Los Angeles County.

Thank you for this opportunity to respond to the draft report. If you have any questions, please call David Walter of my staff at (661) 267-5125.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen H. Williams", written over a horizontal line.

Stephen H. Williams
City Manager